

NEEDHAM HARPER WORLD- WIDE



Wes Dubin,
senior vice president,
broadcast

Clients using national cable:

Capri Sun	Ramada Inns
Clorox	Rubbermaid
Dorsey Labs	Sears
G.D. Searle	Shasta
General Mills	State Farm
Honda	Insurance
ITT	Wrigley
Kraft	Xerox
Quasar	

Networks used: WTBS, CNN, MTV,
FNN, TNN, CBN, TWC, Lifetime,
USA, ESPN

1984 billings: \$9 million
Projected 1985: \$10.5 million

WELLS, RICH, GREENE



Bob Gels, senior
vice president,
corporate media
director

Clients using national cable:

Ford	Mobil
Liberty Mutual	Pan Am
MGM/UA	Procter & Gamble
Midas	Ralston Purina
Miles	Wolverine

Networks used: WTBS, CNN,
ESPN, USA, FNN, Business
Times, MTV

1984 billings: \$9 million
Projected 1985: \$11 million

CAMPBELL- EWALD



Duane Kell, senior
vice president,
director of
broadcast media

Clients using national cable:

A.C. Delco	GMAC
Chevrolet	National Car Rental
Eastern Airlines	

Networks used: WTBS, CNN,
CNNHN, USA, ESPN, TWC, FNN,
TNN, CBN, MTV

1984 billings: \$6 million
Projected 1985: \$9 million

McCANN- ERICKSON



Ira Carlin, senior
vice president,
media director

Clients using national cable:

AT&T Communications
Coca Cola
Hilton Hotels
Johnson & Johnson
Kodak
L'Oreal
National Dairy Association
Nestle
Shearson Lehman
American Express
Swatch Watches
Texas Instruments

Networks used: CNN, WTBS,
MTV, ESPN, A&E, FNN

1984 billings: \$6 million
Projected 1985: \$10 million

CUNNING- HAM & WALSH



Gil Farley, vice
president and tv
program director

Clients using national cable:

Bank of New York	Procter & Gamble
C.B. Fleet	Ricoh
Mitsubishi	Sterling Drug

Networks used: WTBS, CNN,
CBN, Lifetime, MTV, ESPN, USA,
TWC, MSG, Sports Channel

1984 billings: \$6 million
Projected 1985: \$8 million

N W AYER



Robert Iglei,
senior vice
president, director
of programing
and network
negotiations

Clients using national cable:

AT&T Communications	J.C. Penney Seven-Up
AT&T Corp.	U.S. Army
Bahamas	
General Motors	

Networks used: MTV, A&E, CNN,
WTBS, CBN, TWC, ESPN,
Lifetime, BET, USA, C-SPAN, FNN

1984 Billings: \$4 million
Projected 1985: \$4.5 million

TED BATES



Joel M. Segal,
executive vice
president, director
of network tv

Clients using national cable:

Carter Wallace	Cinemax
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Continental Baking	Prudential Bache
Mars, Inc.	U.S. Navy
Panasonic	Warner Lambert

Networks used: CNN, CBN,
WTBS, ESPN, Nickelodeon, MTV,
USA, Lifetime

1984 billings: \$8.5 million
Projected 1985: \$10.5 million

SSC&B



Jack Otter, senior
vice president,
director of
network
programing

Clients using national cable:

Lego	Steak & Ale
Mennen	Sterling Drug
Noxelle Corp.	

Networks used: ESPN, MTV,
WTBS, TWC, CNN

1984 billings: \$4 million
Projected 1985: \$4.4 million

The "nouvelle" pet food market

Cat fanciers now make up the fastest growing segment within a stable market, while health and "gourmet" positionings appeal to customers' changing concerns.

"This is an industry waiting for a breakthrough," says Peter Bowen, marketing manager of H.J. Heinz's 9-Lives cat food. This comment pretty much sums up the outlook for the \$5 billion pet food industry: the category has matured, leaving marketers searching for ways to inject new vitality into products and advertising. The pet population — some 48 million dogs and 27 million cats who live in about half the nation's households — is barely growing. As pet food consumption stabilizes at 10 billion pounds, marketers are rolling up their sleeves to continue the battle for share of stomach. Difficult though the picture may be in terms of potential market share increases, the financial snapshot couldn't be better. Dollar volume is still growing at an annual rate of 5% and profit margins are healthy enough to tempt a steady stream of new players.

At the same time, long-term demographic trends confront Bowen and his peers with a dizzying array of changes. As more people move into cities, and as smaller households squeeze into smaller quarters, the composition of pet ownership is changing. Cats, easier to keep and definitely less perturbed by the frantic schedule of urban dwellers, are becoming more popular. "The American way of life is shifting so much," sighs Carnation's manager of new products, Hugh Chamberlain. "Only a few years ago, pet owners had many more dogs than cats. But cats can



"He doesn't want dog food. He wants people food."

be left alone," he adds woefully, "and they don't eat as much." The ASPCA estimates that the number of cat owners, still only 23% of U.S. households compared with the 40% who own at least one dog, is growing twice as fast

as the number of dog owners. Naturally, cat food sales are taking off: though the segment represents about 36% of industry sales, it is growing at an overall 10% rate, compared to little over 1% for dog food. Nor can the

Drawing by Modell, © 1976 The New Yorker Magazine, Inc.

First Half 1984 media expenditures (Company totals)

Company	Total	Mags	Supps	Net tv	Spot tv	Net radio	Spot radio	Outdoor
Anderson, Clayton	\$7,330.3	\$412.8	—	\$1,818.7	\$5,300.8	—	—	—
Grand Met USA	1,000.0	1,000.0	492.8	1,100.0	1,200.0	—	200.0	—
Heinz	6,036.7	—	—	2,561.3	2,422.2	—	53.2	—
Nestle	1,000.0	1,000.0	254.8	1,000.0	1,000.0	—	—	—
Quaker Oats	10,643.9	—	48.8	9,632.3	962.8	—	—	—
Ralston Purina	10,000.0	1,000.0	200.0	10,000.0	1,000.0	1,000.0	900.0	—

Source: Leading National Advertisers, Radio Advertising Bureau

changes be measured in numbers alone: owners are treating their pets differently. With more single person households owning pets, there is a greater dependence on the animal to be, as Chamberlain puts it, "a member of the household." A Frost and Sullivan study points out that "people spend more on their pets than they do on their babies": food purchase and pet maintenance will be a \$10 billion industry by 1988, according to the report. To make matters even more confusing for marketers, buying patterns are deteriorating. Under the pressure of brand proliferation, economic instability, and hyperactive couponing, brand loyalty has virtually ceased to exist. Most pet owners feed their animals a mix of food types, rather than brands: dry, canned, and moist, to offer the pet a varied diet.

As a result, competition is drawn along segment lines, each of which has its own character and its own consumer profile. Canned foods, such as segment leaders Alpo for dogs or 9-Lives for cats, tend to be more expensive — the profile calls for a consumer who really cares what his animal eats. Dry foods, on the other hand, appeal to convenience — for the owner, that is. In between fall the moist dog and cat foods and the soft-dry dog foods, which try to straddle the fence on positioning.

Competition is tightly concentrated among a half-dozen companies. Market leader Ralston Purina has been pushing aggressively to boost its dominating 28% share by steadily rolling out line extensions, all the while flexing an impressive marketing muscle. Runner-up Carnation, with about 12%, is striking out in the opposite direction: instead of marketing mainstream products, this latest addition to the Nestlé family is hoping to forge

specialty niches. The other major players — Gaines (now owned by Anderson Clayton), Grand Met USA, Quaker Oats, and Heinz — each have about 6%. A share point is worth about \$50 million, depending on its composition — a sum well worth fighting for.

During the last recession, private label and generic pet foods carved out a large chunk of the market — 25% in dog food, 15% in cat food. Though consumers have been returning to branded products, this incursion left its mark on pricing policies. The industry as a whole, which tends to follow Ralston Purina's lead in pricing, has kept retail cost stickers relatively stable. Now, say observers, the pet food manufacturers may try a 5% boost.

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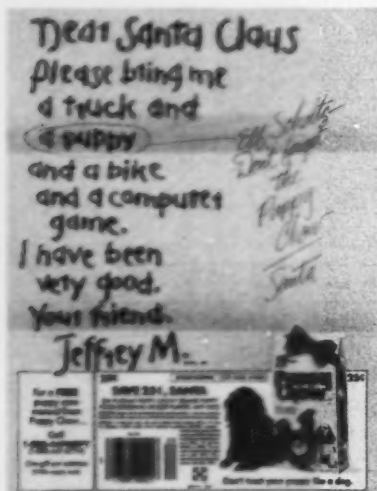
But the most alarming outcome has been an increasingly broad price spectrum. Says Bob Cummings, an analyst with Wertheim & Co., "There have been trends in both directions — competition at the lower level and the beginning of a premium niche." He observes that price has so far been a once-a-year consideration, warning, "If the companies start competing on price basis, it will probably be harmful to all of them."

Since these companies have been facing off for such a long time, the lead brands in each segment tend to be firmly ensconced. "Competition is stiff," concedes Frank Krum, vice president of marketing for Grand Met's Alpo division. "There isn't much room

for competition under the leading brands in any segment," he says, adding that few new products of the past three years have paid out. In the face of product proliferation, new product activity has been abating — too many were me-too products, according to Bob McMath, who publishes *New Product Alert*. Instead, pet food marketers have been opting for less costly tactics: line extensions, such as the addition of more flavors in a cat food line; package extensions, offering the same brand in a variety of sizes; and occasionally, relaunches, to breathe new life into a sagging stand-by. Ron Morrow, an analyst with Smith Barney, points out that the established brands have maintained their foothold for so long that "new products" count as anything released in the past three years. Nor does the picture show signs of change — despite claims by marketers. Sources that monitor supermarket activity say they see few additions to this most profitable of aisles, at least in the first half of the year. Some notable exceptions are Alpo's new puppy food, slated for a February introduction, and Amore, a premium-priced contestant positioned by Heinz against Carnation's successful Fancy Feast. Most intriguing is a possible Carnation product called Extra Care which contains a birth control pill for female dogs. However, the dog food has not yet received the Food and Drug Administration's okay for public sale.

One area likely to see further development is snacks. Nabisco's leadership in the dog snack area, with Milk Bone, is tempting others to enter this \$250 million segment. The latest newcomer is Ken-L Ration Snausages, from Quaker Oats, which has been in-

roduced and backed with an estimated \$5 million. Some marketers have tried to develop a snack segment for cats, but observers have doubts as to whether the \$96 million segment can grow much further. As one marketing executive points out, snacks exist primarily for the consumer, who gets instant gratification from his dog when he gives the pet a snack. But cats do not tend to respond quite so joyously. Nancy Pitz, vice president of marketing at Quaker Oats, which recently fielded Pounce cat treats, believes it is still too early to tell whether there is a big market opening. "We had two months of heavy spending, then the volume didn't hold up and that's just not long enough to tell how big an



Faced with new competition, Ralston pushes Puppy Chow.

emerging category can get," she says.

In the absence of a major discovery to improve taste, the most formidable barrier to entry is escalating marketing costs. Charles G. Olentine Jr., editor of *Petfood Industry*, notes that the major manufacturers are taking advantage of generics' current vulnerability by increasing promotional expenditures. Measured media also show a sharp boost. The industry is likely to spend \$300 million advertising pet foods in 1985, compared to a \$225 million outlay in 1983. Spending is even between media and promotion. Though the changing composition of pet owners means changing viewership patterns, the industry as a whole remains faithful to network television, which claims about 70% of media dollars. Today,

Most product positionings strive for a good taste and/or health image, rather than appealing to sentimentality.

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Dog food

The good news is that "dogs are holding their own" — the dog population is staying stable at about 48 million. The bad news, for some, is that consumer buying patterns are shifting dramatically. Dry dog food, at an annual level of \$1.8 billion — by far the largest segment of the \$3.1 billion category — is growing at about 7%. Moist (\$186 million in 1983) and soft-dry (\$122.8 million) haven't been faring well at all, down 27.9% and 24.7% respectively from the previous year. This change has naturally affected the fortunes of the companies competing in this category.

Ralston Purina focuses its attention on the dry segment, where it has the number one (Dog Chow) and two (Puppy Chow) brands. These two leading products, along with Cat Chow, allows the company to afford its strategy: keep a steady cash flow for rolling out new products to further its goal to increase its overall share. Marketing support is continuously rolling from one product to a new one. Praise, for example, a dry dog food introduced in 1983 with \$11 million in support, captured about 3.8% of the segment before Ralston started pulling back the money. The brand's 1984 budget was about \$7 million, and will be less this year. A marketing executive who insisted on anonymity says the company budgets between \$3 million and \$20 million for new products, depending on sales projections. So far, Ralston has bet on the dry segment, except for a single entry in the soft-dry category, Moist 'n Chunky. The strategy is straightforward — dry food users are the most stable prospects, tending to be multiple member households, with at least one pet. Consumers who buy other forms of dog food also tend to switch into dry food, for variation and

balance. Some of Ralston's newer entries, such as Fit 'N Trim and Mainstay, have tried to capitalize on owners' concern for health.

With the continuous activity, Ralston is careful not to ignore its mainstays: almost all of Dog Chow's \$11 million and Puppy Chow's \$8 million budget goes into network television. The target leans toward pet-owning families with slightly lower incomes than the average dog owner. Lee Zingdale, media communications director, says Ralston is becoming concerned about media alternatives. "We're looking strongly at print, especially to get the light television viewer," he says.

At Carnation, says Hugh Chamberlain, marketing manager for new prod-



Ralston puts most of its budget behind long-standing brand, Dog Chow.

ucts, there is a heightened awareness of how changing patterns of ownership are affecting pet food consumption. "For more and more people," he says, "the pet is becoming a member of the family. As more people become isolated, the pet's importance soars." Carnation is shifting its marketing strategy in response. Support is shifting from Carnation's dry entry, Come 'N Get It, to the higher-priced, canned Mighty Dog. Indeed, Come 'N Get It, with its dog and puppy formulas targeted toward the same family audience as Ralston's Chows, had its budget slashed from \$5 million in 1983, to a scant \$2 million last year. Mighty Dog, on the other hand, the number three brand in the growing "gourmet/all-meat" segment, is getting a big push

with what Chamberlain calls "upscale positioning." "It's become a more important brand" to the company, he explains; the budget is increasing steadily, to more than \$5 million this year. A new campaign, featuring caped "Mighty Dog," touts the brand's all-meat formula.

Since New Breed, Carnation's 1983 entry in the dry segment, the company has changed its new product strategy. New Breed has not been an unqualified

success. It has captured a bare 3% share of the segment, despite hefty support of \$8 million in its introductory year — one-fourth of the company's total media spending. Support has since been pulled, and, says Chamberlain, "We're now looking into specialty products." The company is hoping to forge new niches that will appeal to the new type of pet owner. The product Chamberlain is most excited about, Extra Care, contains a

birth control formula devised by Upjohn. "There's a very sizable market," he says, "of people who own female dogs and are concerned about unwanted pups."

Anderson Clayton, the new owner of General Foods' Gaines division, faces stiffer competition now. GF's pet food share had been slipping steadily, losing more than a share point in 1983, for a company total of 7.4%. The Gravy Train brand was doing well in the dry segment, but the two segment leaders in moist foods, Gaines and Top Choice, saw revenues fall 11% in one year. And the company never quite figured out how to revive Cycle, the multi-product brand, segmented by dog age. There are, for instance, formulations for puppies, adult, and older dogs. The problem with Cycle, says Smith Barney's analyst, Ron Morrow, "is that there are a lot of other foods, already out, that could fit all those needs. The market just isn't big enough to segment that way." Nor are observers encouraged about the new owner's chances of success on grounds GF failed to stake out and hold. Comments Bob Cummings, an industry analyst at Wertheim & Co., "General Foods was getting squeezed out — they put a lot of money into marketing and couldn't get a decent return on their investment. If GF, with all its marketing power, throws in the towel, one wonders what a company like Anderson Clayton can do."

The first thing it's already doing is giving marketing a big boost past GF levels, to an estimated \$20 million this year. Most of the weight is placed behind Gravy Train, which is getting a little more than half the budget. But Gaines is also investing in an area it had let flag: the moist category where Gainesburgers dominates with one-third of the segment. Revived interest comes in the shape of the \$3.5 million introduction of a new Gainesburgers flavor. Gaines' eagerness to support all its brands fully — even in shrinking categories such as moist food — underscores a harsh realization: the company is stuck with dog food as its only battlefield. Rather than venture into unfamiliar turf with a cat food introduction, Gaines is falling back on its expertise in dog food in the hopes of reviving sagging market share. Ob-

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SECOND IN THE NATION

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Total Day, ADI Homes 34%

Early Fringe, ADI Homes 38%

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Television/Radio Age and Arbitron, May, 1983



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servers believe the company will increase its commitment to research, as it has already done with marketing.

Grand Met's Liv-A-Snaps subsidiary, marketer of Liv-A-Snaps snacks and Alpo canned dog food, is in the midst of a similar realization. "One would have to be comatose not to see the trends," notes vice president of marketing, Frank Krum glumly, referring to booming cat food sales. "But Alpo is a dog food company mainly and that was a mistake." For better or worse, the company dominates the canned food segment with a nearly 25% share — a stake the company stands to see increase as the premium price segment grows. But Krum isn't leaving anything to chance: support for Alpo is skyrocketing, more than doubling in a year to \$20 million. Half the budget still goes into network television, but, says Krum, "It's becoming prohibitively expensive. We're coming back to it, but with less emphasis — the audience of women 35-54 with a family simply isn't there anymore." He points out that Alpo was one of the first cable advertisers, and also invests

Company market share, 1983	
Ralston Purina	28.5%
Carnation	11.9%
General Foods (now Anderson, Clayton)	7.4%
Grand Met USA	6.0%
Quaker Oats	5.6%
Others	40.6%

Source: Petfood Industry

substantially in syndication. This year, the focus will be toward important local markets, rather than national.

The company is reaffirming its commitment to dog food with a new product in a new segment for Alpo: puppy food. Alpo Puppy Food, scheduled for a February introduction, snips at Ralston's leadership in the \$200 million segment with an estimated \$35 million budget. A Ralston executive comments that puppy foods have come and gone — but just to be cautious, spots for Ralston's Puppy Chow are showing up

in high-visibility, prime time news breaks. Positioning stresses taste, but the Alpo line has another, invisible asset: even though the brand is no longer all-meat (it includes grain) the consumer image has not changed. Nor is Krum neglecting the dry Alpo, hoping to boost its share past the current 4% with an \$8 million ad budget. The company is setting aside an additional \$15 million for advertising, and \$10 million in promotion — just to be on the safe side.

Quaker Oats has also been having share problems, slipping from 7.7% two years ago to a current 5.5%. Analyst Morrow points out that the company has trouble building brand franchise. But other observers, such as Wertheim's Cummings, are encouraged by what they see as a renewed emphasis on marketing at Quaker Oats. Ken-L Ration, the company's strongest entry, has about 8.5% of the canned segment. But the company also has major brands in the two shrinking segments: Tender Chunks and Kibbles 'N Bits represent almost the entire \$110 million soft-dry segment, while Ken-L



ST. PETERSBURG TIMES ■ SUNDAY, DECEMBER 2, 1984

by Item 1-4

St. Petersburg has a recent vote of confidence in the city's downtown area.

St. Petersburg has a recent vote of confidence in the city's downtown area.

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ST. PETERSBURG—The Times and Independent were in first place in two categories and third in the other two in

The T-I ranked third in Black and White and in Spot Color. Vancouver ranked first and Salem,

Vancouver (Wash.) Columbian and Orlando Sentinel-Star tied for third place in this category.

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on sample issues for the week of July 2. "We won Overall in the spring contest this year," Operating Manager

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Source: Average circulation as reported by A.B.C. audit for 12 months ending 12/31/83.

Ration burgers, in the moist segment, has seen its revenues halved, to less than \$45 million, and share trimmed from 33% to less than 25%. Nancy Pitz, vice president of marketing, says she has been shifting marketing budgets accordingly. While total support has more than doubled in two years, past \$25 million, it is being judiciously placed behind Ken-L Ration burgers and canned food. "There isn't a great deal of emphasis on Tender Chunks these days," she concedes. The company is sure to try another push with the dry Ken-L Ration brand, the site of the company's original success. "Dry food," says Pitz, "is like breakfast cereal. Almost every dog owner uses it as a staple."

The last major player, Mars' Kal Kan division, has two strong brands: dry Meal Time with about 3% of that segment, and Kal Kan, number two in the canned segment. Marketing director Mike Nelson says positioning for Meal Time stresses taste, and for Kal Kan, the pet's health. Support is shifting from Meal Time, which gets about \$13 million, to Kal Kan, which has been boosted from \$8 million to nearly twice that. Nelson explains that he is eager to exploit Kal Kan's "Top breeder reputation," the health platform the brand has had for a number of years. But the company's real strength lies in cat food, where the bulk of a \$50 million budget is directed.

Cat food

Cat food is the industry's big winner: as more people opt for this smaller, easier pet, the category is approaching \$2 billion in annual sales. Canned cat food, the premium segment, still leads (1983 sales of \$900 million growing at about 8% annually), but dry food is catching up quickly (\$684 million, growing at 16.9%). Moist, on the other hand, is falling in favor — the \$200 million segment is shrinking at a 7% rate. Part of the reason is the variety of flavors and brands available in canned form; another is the rising popularity of single-serving cans — the feline equivalent of human convenience food.

Taste is crucial to cat food marketers: cats are really picky eaters, while dogs will eat just about anything. And Heinz' 9-Lives — the category's larg-

Market share by food type, 1983		
Dog food:		
Dry	54.3%	\$1,725.0
Canned	26.3%	827.3
Snacks	8.7%	275.0
Moist	5.9%	186.5
Soft-dry	3.9%	122.8
		\$2,136.6
Cat food:		
Canned	50.5%	888.0
Dry	36.5%	684.0
Moist	10.9%	194.6
		\$1,776.6
Source: Petfood Industry		

est brand — has the finicky position locked up. Morris the cat now eats the brand in canned, dry and moist form. "Most owners serve a combination," explains marketing manager, Peter Bowen. The move follows a restaging of the moist (Tender Meals) and dry (Crunchy Meals) forms, in the hopes the canned 9-Lives, with its 29% share of the segment, will help sagging sales in the other segments.

The restaging is virtually a re-introduction. From a minimal \$8 million behind the canned product exclusively, the new umbrella strategy calls for \$10 million behind that segment, and another \$12 million behind the others as of April. "We see the line approach as the best way to solidify the 9-Lives business," Bowen explains.

Heinz is also wrapping up the test for Amore, a premium price single serving cat food aimed at dislodging Carnation's Fancy Feast. Bowen feels

the company is in a now-or-never position. "Competition is a factor of spending to capture market share. It isn't enough to simply grow — you have to keep pace with the industry's growth," he states. He thinks that Heinz's chances are improving. "Ralston-Purina's leadership position is deteriorating," says Bowen.

But Ralston is still going strong. Cat Chow and Meow Mix, the number one and two in dry cat food, control over 35% of the market, with new Happy Cat zooming from zero to fourth place in a year, to add another 8%. And Ralston still has the number one moist food, Tender Vittles.

Increasingly, the company is shifting brand positions to health instead of its traditional taste platform. Part of the reasoning is a reaction to Carnation's premium positioning: the other half is to find a different route to an emotional stance, targeted to the new pet owner. Ralston media communications director Lee Zingdale comments that this audience tends to be younger, more urban and certainly working. "We have to find different shows and media to appeal to this changing demographic. Usually, we do it with special programing and print."

While the total company budget is getting a boost, to an estimated \$135 million, more funds are going to cat food than any other category. Out of a \$120 million 1984 budget, the cat products got about \$50 million support. Ralston is shifting monies away from unsuccessful introductions, such as Alley Cat, to the successful Happy Cat (a moist product), with a +\$14 million budget. Zingdale says Ralston is looking for more niches to develop, and

Pet ownership by household income

	% U.S. HH	% HH owning dogs	% HH owning cats
- \$9,999	23%	19%	20%
\$10,000 - \$14,999	14%	13%	14%
\$15,000 - \$19,999	12%	13%	14%
\$20,000 - \$29,999	25%	27%	25%
+ \$30,000	29%	28%	27%

Source: Survey conducted by American Veterinary Medical Assoc.

Note: In other words, 19% of dog-owning households have less than \$10,000 annual income, and 20% of cat-owning households have less than \$10,000 annual income, and so on.

plans several new products this year, but so far, the trade hasn't gotten the word.

Carnation, flushed from the success of 1983 new entry, Fancy Feast, which is a canned food, is ready to go at it again. New product manager Hugh Chamberlain says the company is planning additions to the brand, which will help boost its share to as much as 10% by this year. The brand's premium price position has found favor among the segment Chamberlain likes best — pet owners who treat their animals like members of the family. The single-serving size is a plus as well for this audience, which tends to be busy, urban dwellers. This year's budget will exceed \$6 million.

Carnation is also pushing its Friskies brand, a success in two categories: canned, where the brand's "buffet" line holds the number three position with about a 17% share, and dry, where as the number three, it has about 9.5% of the segment. Eager to build the brand's total share, Carnation has more than doubled its support, to more than \$15 million. Friskies had once been the leader, then began losing share steadily as more brands entered the market. After an expensive relaunch in late 1983, which included free boxes, coupons, and spending that rivals estimate may have topped \$45 million, the brand is back on its feet — and Carnation wants to make sure it stays that way.

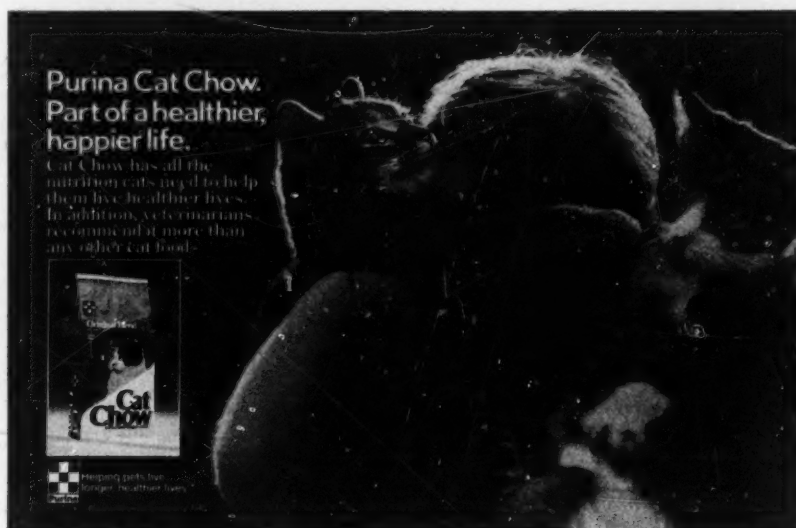
Unlike Ralston Purina, which continuously rolls its support from one new brand to the next, Carnation "follows a Procter & Gamble strategy," according to Chamberlain. "Each brand has to pull its own weight, and generate the profit for its advertising budget," he stresses. Well, not always. Carnation wants to see Bright Eyes, a recent introduction, take off. Despite a less than 3% share in 1983, the company put \$5 million behind the canned brand. The brand, however, has yet to pull its own weight. Another brand, Fish Ahoy, which has been slipping steadily for several years, is being completely ignored by Carnation — no marketing budget at all.

Quaker Oats approaches the cat food segment with two different brands: Puss 'n Boots in canned form, and Moist Meals in a moist pack. Nancy

Pitz, vice president of marketing, says the brands target the same upscale audience — but so far, they've garnered combined sales of about \$42 million *without* marketing support. "We're increasing our expenditures," she says, "but most of the money still goes behind the dog foods," brands the company feels have the greatest competitive strength. Pitz adds the neither brand is likely to gain an extension into another segment — the strategy

for main meal canned food — and the cost per share point is much less than in the dog food category."

Competition in this growing category isn't quite as tightly concentrated around category leaders as it is in dog food; also, spending levels aren't as high — yet. Dog food brands tend to be older and more established, and manufacturers have, until now, put their marketing weight into this larger piece of the industry. Heinz, for ex-



Ralston Purina, the industry's largest advertiser, stresses pet's health and long life in magazine ads

that other companies, such as Heinz, have used to build total company share. Ron Morrow, Smith Barney's analyst, comments, "Quaker Oats doesn't have a tool like Morris to carry a brand into another segment." He cautions that unless the company finds a niche, Quaker Oats will be "locked into a pattern of having to roll out new brands every two or three years."

Snacks exist primarily for the consumer, who gets instant gratification from his dog when he gives the pet a snack.

At Mars' Kal Kan division, marketing director Mike Nelson says the strategy calls for a balance in spending between dog and cat food. He is particularly pleased with Kal Kan canned cat food, which has unseated Carnation's Friskies Buffet for second place. "There's a lot of long-term potential

ample, spent about \$8 million behind canned 9-Lives last year, the segment leader with nearly 29% — compared with Alpo's \$11 million for a 24% share of the canned dog food segment. Spending behind Kal Kan is inching upward past \$8 million for this year. "The wet [canned] category has changed dramatically in five years," comments Nelson, pointing to increasing segmentation within the group. "There are two price cutoffs now, a super-premium, and a bottom price point that had been growing rapidly but is flat now."

Also going strong is dry Crave, one of the few dry brands positioned aggressively against the young urban pet owner. Nelson elaborates: "We position it to people who want the convenience of a dry product, but we emphasize taste, because users tend to be households concerned with that." Support is steadily increasing, to an estimated \$9 million in 1985.

Laura Konrad Jereski

serts. This is delivered once a week, together with preprints, and hung in plastic bags on the doorknobs. (No one but the Postal Service can use the mailbox.)

More and more newspapers are TMC-ing for advertisers who want saturation coverage. Five years ago, 40% of the newspapers quizzed by the International Circulation Managers Association (ICMA) reported that they were making TMC available. By 1983 that figure rose to 73%. Ninety percent said they planned to have TMC by the end of 1985. A 1984 survey by the Newspaper Advertising Bureau showed 600 U.S. dailies now offering TMC.

For the upscale retailer who isn't interested in reaching every last home in town, a number of newspapers have designed *Selected Market Coverage*, which saturates all but the low income areas of the market.

Newspapers are offering other forms of "selective saturation," too. "Zoned editions" allow the retailer, who has just one store, to target that part of the market which frequents his emporium. But even chains like the preciseness of zoned editions. Notes Penney's DeRobertis, "We use zoned editions 80% of the time."

These forms are usually available just for preprints, making it a stuffing operation that doesn't stop the press. A small number of newspapers, such as those in New York, the *Kansas City Star*, and Columbus (Ohio) *Dispatch*, run extra zoned pages with neighborhood editorial items. This allows for zoned rop advertising.

The big chains use ZIP codes to measure each store's trading area, and have been asking newspapers to break out their circulation by ZIPs. The Audit Bureau of Circulations board has decided to make ZIP designation mandatory, but hasn't yet set a date for compliance. However, nearly 100 newspapers already show their circulations by ZIPs.

The ultimate in selectivity: "merge/purge"

Direct mail has the ability not only to saturate a market, but also to pinpoint any group you want within the

market. ADVO/Blair has available a library of lists — geographic, demographic, even psychographic — that can direct your mail piece to just the prospects you want. Newspapers, on the other hand, sell you a mass audience which you must buy in order to reach those interested in your product.

But when you custom-make a list for an advertiser, you have to custom-mail it, too. That means solo mail at the expensive \$74 per thousand. It may be hard finding two other mailers who want that same list unless they're direct competitors. And when the list is your

Shared mail is draining inserts from newspapers; newspapers are fighting back with made-to-measure ads that can't be "shared."

own charge customers, who wants to share that?

"Merge/purge" is what the newspapers hope is their trump card in the battle against shared mail. (See sidebar, page 68.)

Now to those coupons

Direct mail has been playing a minor role in the national advertiser's distribution of coupons (see box). Over the past three years it has grown to 3.6% of grocery coupons and 7.3% of health and beauty aid coupons. These are 1983 Nielsen figures. ADVO's "Network Mail™" was available only in the second half of 1983.

Will direct mail couponing take off in 1985 with the help of "Network Mail™"? The John Blair Company is doing its best to accomplish this. Up to now, Blair Marketing has been the biggest newspaper distributor of coupons, but it's chopped its 1985 schedule from 28 Sundays to 20. At the same time the ADVO division will be increasing its mailings from 22 to an unannounced number. Blair hopes to make the coupon carrier the wrap-around for its MARRIAGE MAIL™ packages.

One thing a mailed coupon insert can't do: it can't deliver on Sunday, which has become the advertiser's most

popular day for dropping coupons in the family's lap. All of the other coupon inserters are increasing their schedules for 1985 and insist they have no intention of converting to direct mail. James Widman, president of the George Vallassis Company, a leading co-op coupon vendor, says he's going from 24 Sunday inserts in 1984 to 26 in 1985 and 28 in 1986. "We see a continual growth," he says, "and we're advising our advertisers of 1986 because they plan their promotions far ahead."

Marketing Showcase Inc., which produces Sunday's Product Movers insert, will increase its schedule from 18 in 1984 to 24 in 1985. It has already scheduled 24 for 1986. "Business is up substantially for the first quarter of 1985," reports MSI's Kent Hobby.

Activity on Best Food Day (usually Wednesday) will be stepped up, too. Newspaper Co-op Couponing, which gangs up coupons in both rop ads and mid week inserts, will increase its newspaper buys to \$100 million in 1985 from \$80 million in 1984, according to president Tom Reddy. "We scheduled 24 rop ads for 1984, but had to add six extras in the last quarter," he states.

National advertisers who have already committed themselves far in advance to newspaper inserts are nevertheless watching the new "Network Mail™."

"We view both newspaper inserts and 'Network Mail™' as viable options," says Pillsbury's Mal Douglas. "We use both and will continue to use both."

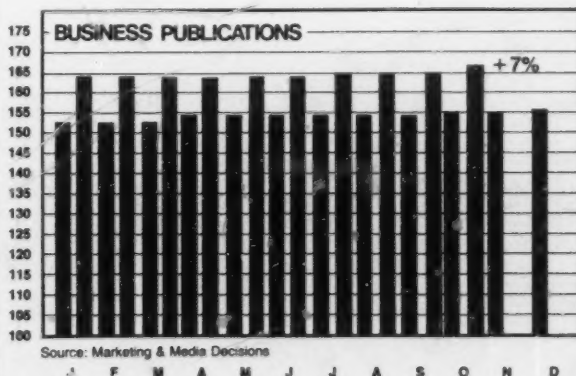
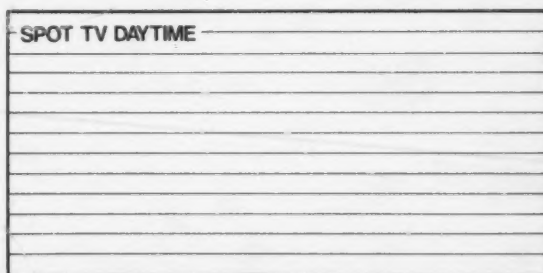
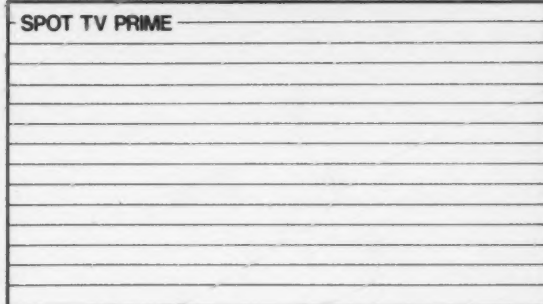
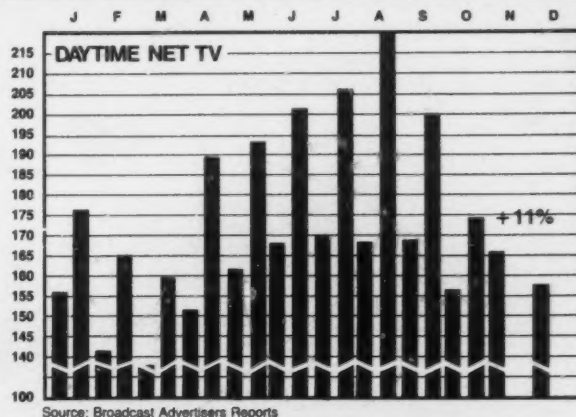
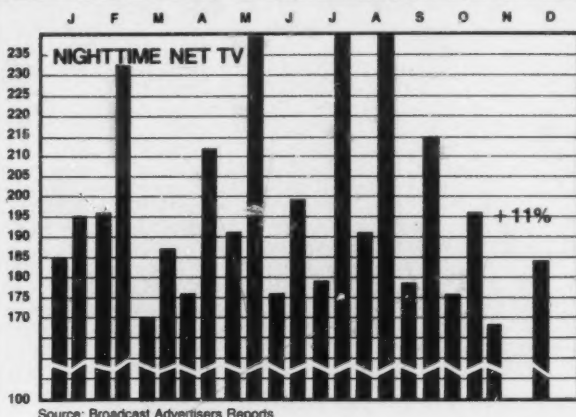
General Foods' William Shaw says: "Network Mail™ is a small piece of the action — it's a vehicle that needs to be proven. It doesn't even run every week." Shaw notes that GF is a big user of direct mail through Donnelly's envelope couponing.

The fact remains that newspapers are facing a formidable competitor. Direct mail is the fastest growing of all advertising media. It has increased its share of the advertising pie in the past five years from 13.8% to 15.6%. In that same period newspapers have dropped 1% from their top-ranking 28.1% to 27.1%.

Lionel Kaufman

MEDIA COST INDEX

Black bars index for 1983; color bars 1984; base year 1977



Month-over-month rate changes for October in the network broadcast media covered in the Decisions Monthly Cost Index show sizable departures from the September readings. **Network radio** was up 4% in October after "no change" reports for August and September. **Network television, daytime and nighttime**, each show an 11% increase, down from +18% and +21%, respectively, in September.

Among the print media reported on, the picture is one of ups and downs.

An increase of one point for October (from +6% to +7%) is reported for **business publications**. **Magazines** held at the September level (+7%), continuing the downward trend in evidence since January when the month-over-month change was +10%. **National supplements** are holding at the +9% level since August. This will probably continue through the rest of the year as new rates are not expected until January. A decrease of two points (from +8% to +6%) is reported for **outdoor**, extending the downward trend from the January report of +10%.

The Newspaper Advertising Bureau is continuing its efforts to reconcile the current SAU-based rates with the previous cost schedule. The spot tv index still remains in limbo, awaiting a new run of data from Broadcast Advertisers Reports who have to adjust the old series to an increased sample base.

The Media Cost Index reflects trends extracted from available sources. This analysis uses standard competitive report sources to develop comparable costs that reflect monthly cost trends by medium. Where industry competitive sources are unavailable, selected cost data from SRDS are sampled.

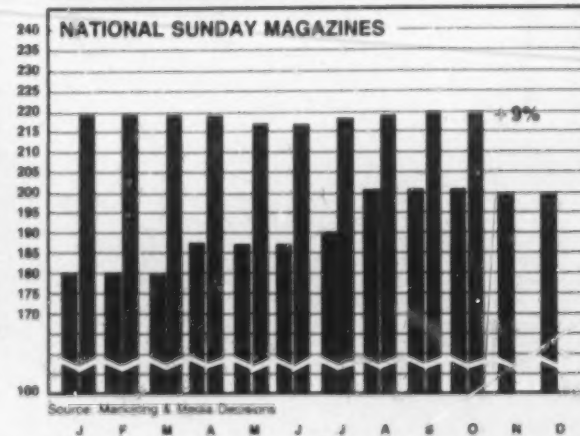
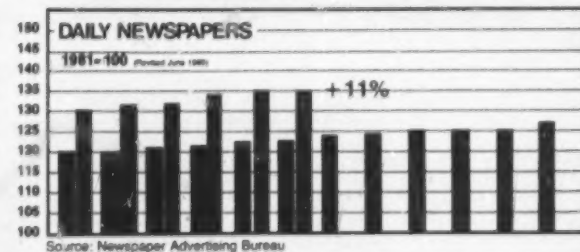
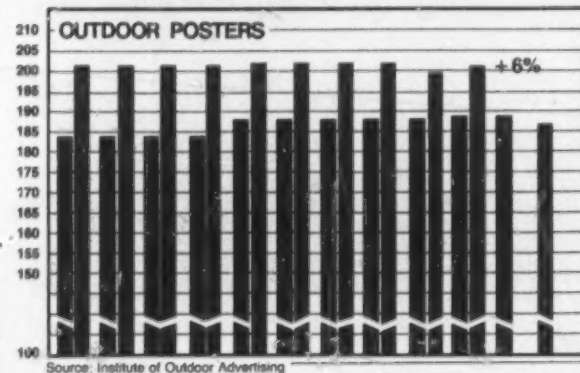
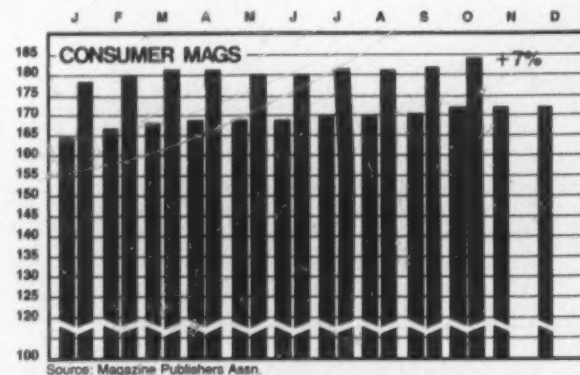
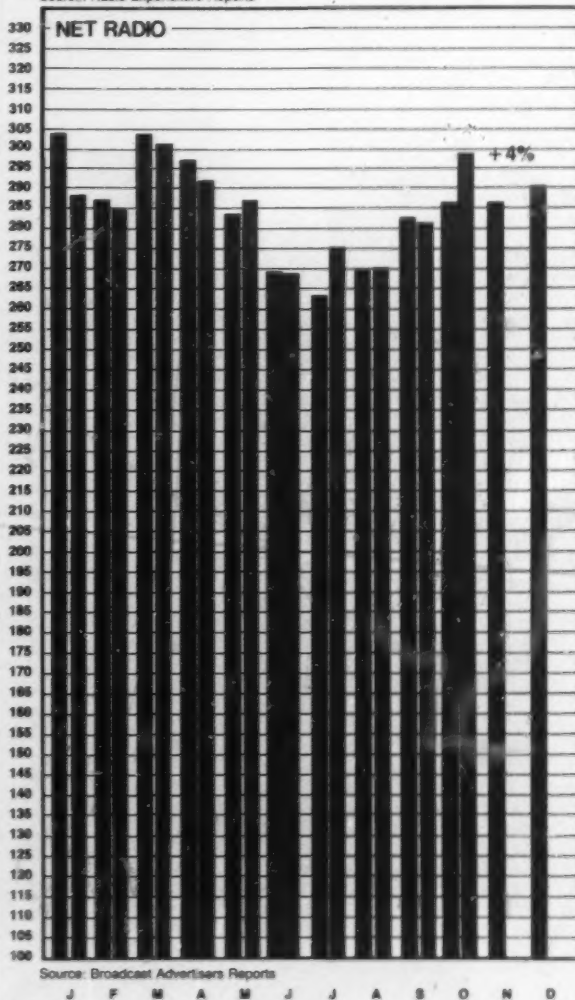
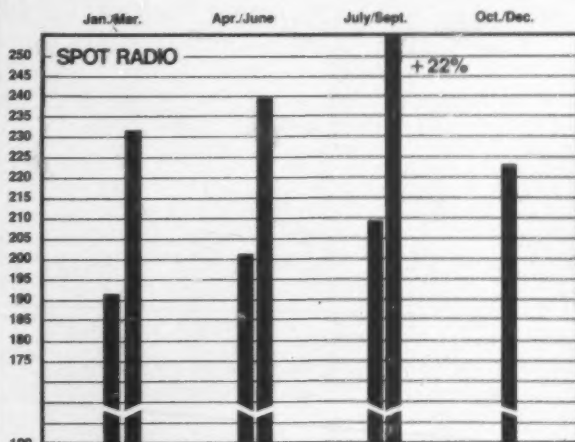
Sources: **Nighttime Network TV** — Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports (BAR) Network TV Service. **Daytime Network TV** — Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service. **Network Radio** — Cost per average 30-second radio announcement from BAR's Network Radio Service. **Spot TV — prime and daytimes** — Cost per 30-second spot, Monday-Sunday from BAR's Spot TV Service.

Consumer Magazine estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn. **National supplements** estimate based on published (rate cards) costs of a page, four-color for the national supplements. **Daily Newspapers** estimate based on Newspaper Advertising Bureau report of SRDS costs per page line of a sample of 788 newspapers weighted to represent the universe. **Business Publications** estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications. **Outdoor Posters** based on estimate prepared by Institute of Outdoor Advertising. **Spot radio** index represents cost of a 30-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

How to read: Media Cost Index reflects latest available costs compared with base year 1977. Percent change shows rate of change from the same month in previous year.

MEDIA COST INDEX (continued)

Black bars index for 1983; color bars 1984; base year 1977



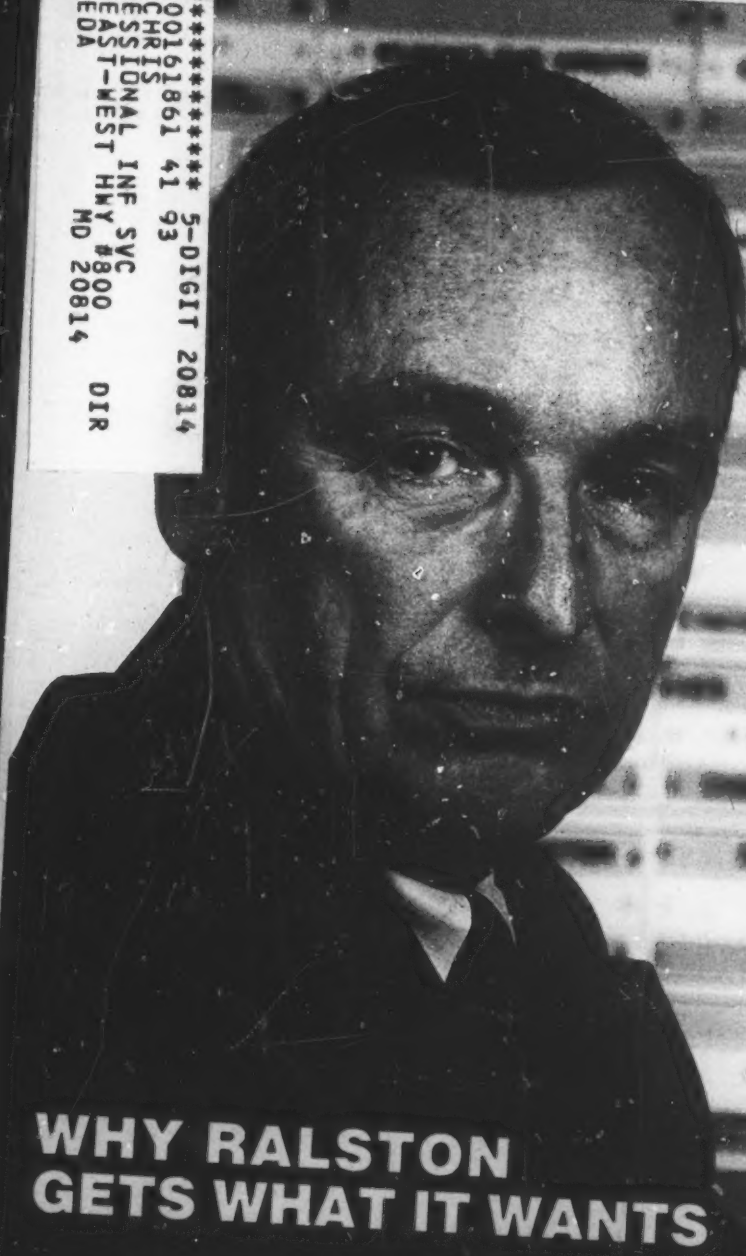
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WHY RALSTON GETS WHAT IT WANTS

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director of marketing
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